

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6318
BILL NUMBER: SB 59

DATE PREPARED: Nov 13, 2001
BILL AMENDED:

SUBJECT: PERF and TRF Administrative Issues.

FISCAL ANALYST: James Sperlik
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FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill: (1) permits the pooling of the assets of the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF) for investment purposes; (2) allows certain units in the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) to buy back members' service; (3) permits a PERF or TRF member to suspend the member's right to a pension benefit and to use the member's Annuity Savings Account to purchase service in another government retirement plan; (4) permits TRF to offer to TRF retirees dental, vision, and long term care coverage to TRF retirees; (5) Liberalizes rollover distributions and trustee-to-trustee transfers for certain public retirement funds as permitted by the federal Economic Growth and Tax Relief Reconciliation Act of 2001; (6) permits PERF and TRF members to purchase at actuarial cost additional years of service credit. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: Upon passage; July 1, 2002.

Explanation of State Expenditures: *Background Information:* P.L. 119-2000 provides that both PERF and TRF are independent bodies corporate and politic. As a result, the funds pay their own administrative expenses and are not subject to review by the State Department of Personnel or the State Budget Agency. Both PERF and TRF operate from revenues generated from their investment income. The Boards of Trustees of PERF and TRF determine staffing levels and expenditure levels.

Fiscal Impacts:

(1) Permitting the pooling of the assets of the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF) for investment purposes.

Both PERF and TRF report that this provision will require programming changes and accounting changes, but, over time, this provision may save the funds money as it relates to investment costs.

(2) Allowing certain units in the 1977 Fund to buy back members' service to 52 years of age.

There likely will be additional administrative work associated with this part of the proposal. However, PERF reports that there will be no additional staff required.

(3) Permitting a PERF or TRF member to forfeit the member's right to an Indiana pension benefit and to withdraw amounts in the member's Annuity Savings Account to purchase service in another government retirement plan.

PERF and TRF both report that there will be additional administrative time and programming changes associated with this provision, but no additional staff will be required.

(4) Permitting TRF to offer to TRF retirees dental, vision, and long term care coverage.

The specific fiscal impact will depend upon the type of agreement into which the TRF Board of Trustees enters. (This part of the fiscal note will be updated upon receipt of the necessary data from the TRF.)

(5) Liberalizing rollover distributions and trustee-to-trustee transfers for certain public retirement funds as permitted by the federal Economic Growth and Tax Relief Reconciliation Act of 2001.

The Funds report that there will be programming changes required which can be accomplished with current staff.

(6) Permitting PERF and TRF members to purchase at actuarial cost additional years of service credit.

There is no fiscal impact for the components of the proposal addressing the purchase of service.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF; TRF.

Local Agencies Affected: Those units with members in PERF and TRF and the 1977 Police Officers' and Firefighters' Disability and Pension Fund.

Information Sources: Bill Butler, Executive Director of PERF, 233-4133; Bill Christopher, Executive Director of TRF, 232-3869; Doug Todd of McCready & Keane, actuaries for PERF and the Police and Fire Funds, 576-1508.